

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1864 - SB 1549

March 15, 2011

SUMMARY OF BILL: Authorizes tax credits for certain small businesses with five or fewer employees, or part-time employees that collectively work a number of hours equivalent to five full-time employees, to be used against the taxpayers' liabilities for privilege tax and franchise and excise tax. The amount of tax credit authorized to any single taxpayer is equal to 20 percent of the taxpayer's new investment or employment expense in the business, up to a lifetime maximum credit of \$10,000. Limits the aggregate amount of authorized tax credits to \$2,000,000 per year. Authorizes the Department of Revenue to approve tax credit applications up to the maximum aggregate amount for calendar years 2012 through 2021. Requires the Commissioner of Revenue to prepare an annual report concerning the tax credit program to be delivered to the Finance, Ways and Means Committees of the Senate and House of Representatives on or before July 1, 2013, and each year thereafter.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$2,000,000

Assumptions:

- This fiscal impact of this bill is dependent upon the number of small businesses meeting the specified criteria for eligibility, the number small businesses approved for tax credits, the extent of investment or employment expenditures made by approved small businesses, and the extent of tax liabilities for approved small businesses.
- Determining a precise estimate for this bill is difficult due to the extent of unknown factors. However, it is reasonably estimated that the Department of Revenue will authorize the maximum aggregate amount of tax credits each year. As a result, the recurring decrease in state revenue will be \$2,000,000.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc